

Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-05 H-01
INR-10 L-03 NSAE-00 NSC-05 PA-01 SP-02 SS-15
USIA-06 EB-08 COME-00 TRSE-00 OMB-01 STR-07
OPIC-03 XMB-02 CEA-01 FRB-03 /096 W
-----051096 280617Z /11

R 271305Z FEB 78
FM AMEMBASSY JIDDA
TO SECSTATE WASHDC 1209
INFO AMEMBASSY ABU DHABI
AMCONSUL ALEXANDRIA
AMEMBASSY AMMAN
AMEMBASSY ATHENS
USINT BAGHDAD
AMEMBASSY BEIRUT
AMEMBASSY CAIRO
AMEMBASSY DAMASCUS
AMCONSUL DHAHRAN
AMEMBASSY DOHA
AMEMBASSY KUWAIT
AMEMBASSY MANAMA
AMEMBASSY MUSCAT
USLO RIYADH
AMEMBASSY SANA
AMEMBASSY TRIPOLI

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 1499

E.O. 11652: GDS
TAGS: ETRD, SA, BTIO
SUBJ: SAG REVISES BOYCOTT PRACTICES

1. SAG IS NOW IN PROCESS OF ISSUONG INTERNAL REGULA-
TIONS AMENDING ITS BOYCOTT PRACTICES IN WAYS WHICH
IT HOPES WILL MESH WITH REQUIREMENTS OF U.S. EXPORT
ADMINISTRATION ACT (EAA). DIRECTOR
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OF MINISTRY OF
COMMERCE'S BOYCOTT OFFICE, AHRAR KHOJA, RECENTLY
GAVE USLO AND EMBASSY OFFICERS COPIES OF TWO INTERNAL
SAG MEMORANDA WHICH CONSTITUTE SAG RESPONSE TO EAA.
WE BELIEVE THEY ARE POSITIVE AND HELPFUL RESPONSE,
THOUGH THEY WILL NOT REMOVE ALL PROBLEMS.

2. FIRST MEMORANDUM IS FROM MINISTER OF COMMERCE TO CONCERNED SAG AGENCIES (MFA, FINANCE AND SAMA) WITH REVISED INSTRUCTIONS GOVERNING ISSUANCE OF NEW LETTERS OF CREDIT. MEMO WILL BE CIRCULATED OR OTHERWISE MADE KNOWN TO BANKS BY SAMA WITHIN COMING WEEKS. CIRCULAR DOES NOT IMPOSE STANDARD LETTER OF CREDIT FORMULA ON BANKS, BUT DOES REQUIRE THE ATTACHMENT TO REGULAR L/C'S OF THREE NEW DOCUMENTS. FIRST OF THESE IS CERTIFICATE OF ORIGIN COUCHED IN POSITIVE LANGUAGE. SECOND IS CERTIFICATE FROM INSURANCE COMPANY CONFIRMING ITS COVERAGE OF GOODS PAID FOR BY L/C AND REPEAT AND NOTIFYING NAME OF ITS REPRESENTATIVE OR AGENT IN SAUDI ARABIA. THIRD IS CERTIFICATE FROM SHIPPER STATING THAT VESSEL IS NOT OWNED BY ISRAELI INTERESTS OR REGISTERED IN ISRAEL, THAT IT WILL NOT STOP IN ISRAEL IN ROUTE, AND THAT IT IS AUTHORIZED TO ENTER SAUDI PORTS. TEXT OF MEMORANDUM AND NEW L/C ATTACHMENTS BEING SENT BY SEPTTEL.

3. COMMENT: NEW REQUIREMENTS APPEAR TO HAVE BEEN DESIGNED TO FACILITATE ISSUANCE OF L/C'S TO AMERICAN BANKS AND STRIKE US AS HIGHLY POSITIVE STEP, ALTHOUGH THEY WILL MARGINALLY COMPLICATE L/C PROCESSING. IN ANALYZING LAST REQUIREMENT -- STATEMENT OF ELIGIBILITY OF SHIP TO ENTER SAUDI PORT -- IT SHOULD BE NOTED
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THAT SAUDI L/C'S HAVE BEEN USED IN PAST MONTHS TO PASS ON REQUIREMENTS OF SAUDI PORTS AUTHORITY CONCERNING AGE AND CARGO GEAR OF VESSELS AUTHORIZED TO USE SAUDI PORTS. WE WILL FOLLOW UP WITH LOCAL BANKS TO SEE IF THEY ARE CHANGING THEIR STANDARD LETTER OF CREDIT FORMS IN RESPONSE, OR WHETHER THEY WILL SIMPLY APPEND NEW ATTACHMENTS TO EXISTING FORMS AND LEAVE THE ANTECEDENT REQUIREMENTS ON THE FORMS THEMSELVES UNCHECKED. LATTER SYSTEM, IN VIEW OF CONTINUING NEGATIVE REQUIREMENTS ON FACE OF SOME LOCAL BANKS' L/C FORMS (INCLUDING STAR OF DAVID CLAUSE IN SOME INSTANCES) MIGHT LEAD TO DIFFICULTIES.

4. SECOND SAG MEMORANDUM, GIVEN TO US IN CONFIDENCE (PLEASE RESPECT) BY KHOJA, IS CIRCULAR FROM MINISTER OF COMMERCE TO ALL SAG MINISTRIES, DEPARTMENTS AND PUBLIC INSTITUTIONS. IT REQUIRES THEM, AND ALL COMPANIES WITH WHOM THEY CONTRACT, TO CHECK WITH SAUDI BOYCOTT OFFICE BEFORE ENTERING INTO ANY CONTRACTUAL RELATIONSHIP WITH A FOREIGN FIRM AS TO THE SUITABILITY OF THAT FIRM. TEXT BEING SENT TO

WASHINGTON BY SEPTTEL.

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C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 1499

5. COMMENT: WHILE THIS CIRCULAR IS DESIGNED TO
CENTRALIZE THE JOB OF SCREENING A FIRM'S CREDENTIALS
AND DETERMING ITS STATUS IN THE BOYCOTT OFFICE,
IT DOES NOT EXPRESSLY PROHIBIT SAG AGENCIES FROM
MAKING BOYCOTT-RELATED INQUIRES OF THEIR OWN IN
PREQUALIFICATION QUESTIONNAIRES, ETC. SOME AGENCIES,
MOREOVER, SUCH AS ROYAL COMMISSION WHICH HAS ITS OWN
PROCUREMENT AND CONTRACING MANUAL, MAY RESIST
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CHANGING THEIR EXISTING REQUIREMENTS. POSSIBILITY THEREFORE WILL CONTINUE TO EXIST THAT FIRMS MAY BE ASKED QUESTIONS THEY CANNOT ANSWER. THEY WILL BE ON GOOD GROUNDS, HOWEVER, IN REFUSING TO ANSWER IF THEY CAN REFER TO REQUIREMENTS OF THIS CIRCULAR, WHICH WE EXPECT WILL BECOME KNOWN IN DUE COURSE. FOR THE MOMENT THOUGH, WE RECOMMEND STRONGLY AGAINST ANY PREMATURE RELEASE OF THIS INFORMATION BY USG.

6. OVERALL COMMENT: KHOJA TOLD US "THIS WAS ALL" IN TERMS OF SAG RESPONSE TO EAA; WE SHOULD NOT EXPECT ANY MORE SAG CIRCULARS OR GENERAL INSTRUCTIONS. PERHAPS NONE MAY BE NEEDED, THOUGH THERE REMAIN A NUMBER OF GREY AREAS WHICH ONLY EXPERIENCE WITH THE NEW SAG INSTRUCTIONS WILL ILLUMINATE -- E.G., POINTS RAISED ABOVE, WHETHER TRADEMARK QUESTIONNAIRES WILL BE CHANGED, COMPLIANCE WITH LOCAL LAW CLAUSES IN CONTRACTS, ETC. KHOJA, HOWEVER, HAS SAID HE WILL BE AVAILABLE TO ANSWER OUR QUESTIONS ON SAG PRACTICE, AND IS CLEARLY INCLINED TO BE HELPFUL WHERE POSSIBLE. HE GAVE APPEARANCE OF SINCERE UNHAPPINESS WITH CENTRAL BOYCOTT OFFICE PRACTICES (CALLING MAHJOUB A "HYPOCRITE"), AND SAID SAG IS WORKING TO GET COKE OFF THE LIST -- AND RCA AND FORD IN DUE COURSE. KHOJA SAID THAT HE WAS LOOKING FORWARD TO UPCOMING CAIRO CONFERENCE ON BOYCOTT, WHICH HE FELT COULD BE A FORUM FOR INDIVIDUAL ARAB LEAGUE COUNTRIES TO BRING CBO IN LINE WITH THEIR WISHES.

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Disposition Approved on Date:
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Review Release Event: n/a
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SAS ID: 3425219
Secure: OPEN
Status: NATIVE
Subject: SAG REVISES BOYCOTT PRACTICES
TAGS: ETRD, BTIO, SA
To: STATE
Type: TE
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